

## Exhibit 1

### GENERAL TAXING AUTHORITY

This section provides information on Redmond's tax base, which makes up 26% of the City's revenue budget. Most of the tax revenue is in the form of property, sales, and utility taxes. The General Fund receives 72% of the taxes levied. The remaining amount is allocated to the following funds: Real Estate Excise Tax, Parks Maintenance and Operations, Operating Grants, Capital Projects, and Debt Service Fund.

Several of the City's tax rates are below the allowable statutory limit; however, sales tax, the largest tax source for the General Fund, is at the maximum local rate of 1%. The following table estimates the revenues which could be generated if tax rates on major sources were raised to the maximum. In addition, the table lists other taxing options that could generate a significant amount of revenue for the City.

#### UNUSED TAXING CAPACITY

| Major Tax Sources                                  | 2005-2006<br>Budget | 2005-<br>2006<br>Rate <sup>5</sup> | Maximum<br>Rate | 2005-2006<br>Estimated<br>Remaining<br>Taxing Capacity |
|--|---------------------|------------------------------------|-----------------|--|
| Property Tax – Regular Levy <sup>1</sup>           | 22,675,882          | \$1.32                             | \$3.12          | 2,738,754  |
| Property Tax – Excess Levy <sup>1</sup>            | 3,982,593           | \$.26                              | N/A             | [1]  |
| Sales Tax  | 36,562,000          | 1.0%                               | 1.0%            | 0  |
| Electric Utility Tax <sup>2</sup>                  | 7,847,841           | 5.8%                               | 6.0%            | 270,600  |
| Gas Utility Tax <sup>2</sup>                       | 1,540,730           | 5.8%                               | 6.0%            | 53,000   |
| Telephone Utility Tax <sup>2</sup>                 | 7,381,013           | 5.8%                               | 6.0%            | 254,500  |
| Admission Tax                                      | 977,505             | 5.0%                               | 5.0%            | 0  |
| Cable TV Franchise Fee                             | 1,120,209           | 5.0%                               | 5.0%            | 0  |
| Real Estate Excise Tax                             | 2,700,000           | 0.5%                               | 0.5%            | 0  |
| Business License Fee and<br>Surcharge <sup>3</sup> | 10,538,434          | per FTE                            | N/A             | N/A  |
| Garbage Tax <sup>4</sup>                           | 913,545             | 6.0%                               | N/A             | N/A  |
| Water/Wastewater Utility Tax <sup>4</sup>          | N/A                 | 0.0%                               | N/A             | N/A  |
| Stormwater Utility Tax <sup>4</sup>                | N/A                 | 0.0%                               | N/A             | N/A  |
| Hotel/Motel Tax                                    | 395,600             | 1.0%                               | 1.0%            | 0  |

1. Regular property tax levies are limited to the lesser of the statutory rate limit (\$3.12) or 100% of the highest of the three prior years' levies, plus a percentage amount equal to a measure of inflation known as the implicit price deflator and an amount for new construction. A 1% increase in property taxes was authorized in 2005 and 2006. Under state law, property taxes may be increased by up to 1% without voter approval. There is no limit on the excess levy rate. However, the amount of the excess levy cannot exceed debt service requirements for voted bonds plus a reasonable amount for delinquent taxes. Of the \$22.7 million in regular property taxes for the biennium, \$21.3 million is deposited in the General Fund. The remaining \$600,000 is deposited into the Parks Maintenance and Operations Fund. The entire \$3.9 million collected from property tax – excess levy is deposited into the Excess Levy fund.

2. Effective February 1, 2005, the City's utility tax rate for electricity, gas and telephone services increased from 5.5% to 5.8%.

3. In the 2005-2006 budget, the City's business license fee increased from \$67.50 to \$83.25. The increase reflected the effects of inflation; the base fee of \$12.50 had not changed since 2000 and the surcharge of \$55.00 had not been adjusted since its adoption in 1996. Revenue from the increase is dedicated to the General Fund to pay for the ongoing service needs generated by the business community. The surcharge of \$55 continues to be dedicated to address transportation needs, as recommended by the Business Tax and Transportation Improvements Committee and as approved by Council. In 2005-06, \$10.5 million in revenue is expected to be generated by the City's business license fee. The base fee of \$28.25 is expected to generate \$3.5 million during the biennium and is deposited into the General Fund. The surcharge of \$55 is expected to generate \$7.0 million during the biennium and is deposited into the Business Tax fund.

4. There is no limit on the tax rate for water/wastewater, stormwater, or garbage. If the utility tax were extended to city water and sewer services, each 1% could generate about \$603,000 in general tax revenues over the 2005-06 biennium.

5. Except for the property tax, all tax rates are for 2005-06.